

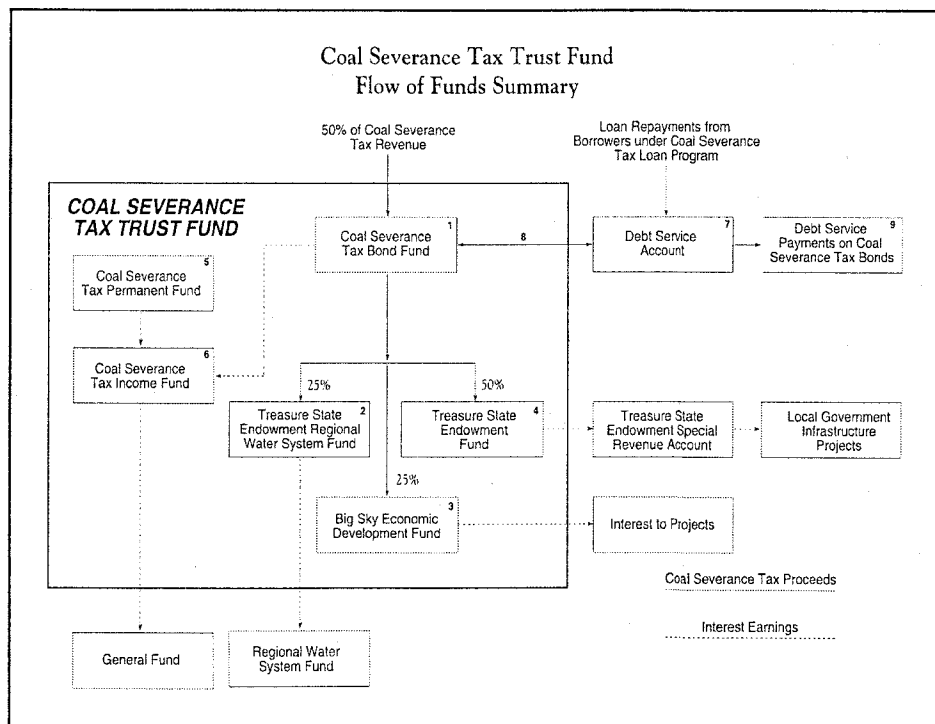
Treasure State Endowment Program (TSEP) Orientation

MDOC Staff

- **Jim Edgcomb**, Program Manager
- **Richard Knatterud**, Engineer
- **Kate Miller**, Engineer
- **Kim Hayes**, Program Specialist
- **Debra Demarais**, Program Specialist
- **Ellen Hanpa**, Program Specialist (1/4 FTE)
- **Penney Clark**, Program Assistant

- **Dave Cole**, Community Development Division
Administrator
- **Kelly Casillas**, Attorney
- **Tony Preite**, Director

- TSEP created in June 1992 when Montana voters passed Legislative Referendum 110.
- State-funded grant program that assists local governments with the construction or repair of local infrastructure
- *Purpose* - To help solve serious infrastructure-related problems and keep the projects affordable.
- *Funding* – The Treasure State Endowment Fund, which is part of the permanent coal trust fund, funds the program - no general funds are used.
 - The program operates on the interest earnings from the fund.



Actual Deposits and Interest Earnings

	Annual Deposits To The TSE Fund (Principal)	Cumulative TSE Fund Principal	Annual Interest Earnings	Cumulative Interest Earnings
Initial	\$10,000,000			
FY '94	\$9,809,476	\$19,809,476	\$928,696	\$928,696
FY '95	\$9,910,610	\$29,720,086	\$1,810,151	\$2,738,847
FY '96	\$8,787,910	\$38,507,996	\$2,916,499	\$5,655,346
FY '97	\$9,151,139	\$47,659,135	\$3,453,907	\$9,109,253
FY '98	\$8,720,156	\$56,379,291	\$4,250,377	\$13,359,630
FY '99	\$8,361,643	\$64,740,934	\$4,772,585	\$18,132,215
FY '00	\$12,189,836	\$76,930,770	\$5,123,375	\$23,255,590
FY '01	\$10,733,368	\$87,664,138	\$5,801,525	\$29,057,114
FY '02	\$11,646,533	\$99,310,671	\$6,804,840	\$35,861,953
FY '03	\$12,384,000	\$111,694,671	\$7,175,069	\$43,037,023
FY '04	\$6,672,000	\$118,366,671	\$8,073,637	\$51,110,660
FY '05	\$8,803,360	\$127,170,031	\$8,282,519	\$59,393,180
FY '06	\$9,393,267	\$136,563,298	\$7,941,183	\$67,334,363
FY '07	\$9,464,000	\$146,027,298	\$9,162,338	\$76,496,701
FY '08	\$9,813,000	\$155,840,298	\$9,578,772	\$86,075,473

- *Eligible Applicants* - Cities and towns, counties, consolidated governments, tribal governments, and county or multi-county water, sewer, or solid waste districts

- *Eligible types of projects*
 - drinking water systems
 - wastewater treatment facilities
 - sanitary or storm sewer systems
 - solid waste disposal and separation systems
 - bridges

TSEP provides the following types of financial assistance

- Preliminary engineering grants
- Construction grants
- Emergency grants

- 251 matching construction grants have been awarded to local governments totaling approximately \$107 million since 1993.
 - The total cost to build all of these projects is approximately \$441 million
- As many as 123 construction grants have been administered by the TSEP staff during the current biennium.
 - See Appendix C of the legislative report (pages 392 through 419) for the status of uncompleted TSEP projects that were previously awarded funding.
- 157 preliminary engineering studies have been completed or are in progress by local governments since FY 2002.
- 18 emergency projects have been completed by local governments since FY 2002.

Grants for Preliminary Engineering

- \$600,000 was available for the 2009 biennium
 - Funded 42 studies (see page 420)
- Grants awarded by the Department
- Open cycle – apply at any time
- Maximum grant \$15,000
- \$ for \$ match requirement

Grants for Emergency Projects

- \$100,000 available for biennium
- Grants awarded by the Department
 - Four emergency projects have been funded during the 2009 biennium totaling approximately \$65,000. (see pages 8 and 9 for details)
- Must have a very serious problem that cannot wait for Legislative approval
- Must expend local \$\$ first
- Maximum TSEP award amount \$30,000
- Requests are coordinated with DNRC

Grants for Construction Projects

- Maximum grant \$750,000 per project
 - *Depending on the amount of the projected user rates, the maximum may be limited to a lesser amount*
- \$ for \$ match requirement
- Limit of \$20,000 per household – this was increased from \$15,000
- Hardship requirements:
 - very serious problems - scores at a level four or five on Statutory Priority #1
 - user rates would be at least 1.5 times the target rate
 - other sources of funding are not reasonably available

Other New Application Requirements

- A limit was placed on the amount that would be recommended if user rates are simply raised beyond what is necessary to construct the project in order to qualify for a higher grant amount.
- Eliminated the amount per household for economic development related projects, when those benefiting from the project are primarily businesses and there are few or no households.
- An application must receive a minimum of 2,700 points in order to be recommended for a grant.

- Changed the scoring of Statutory Priority #3. Using four levels rather than five levels to score it.
- Eliminated multiplying the target percentage times a multiplier (a percentage) when computing the target rate, which resulted in the target rate increasing.
- *Applicants were notified that a time limit on holding a construction grant will be included in the next HB 11. Grantees will be required to meet start-up conditions by December 31, 2012, or the grant contract will be terminated.*

Seven Criteria Used For Ranking Construction Project Applications

- Health and Safety Needs – 1,000 points
- Financial Need – 900 points
- Design – 800 points
- Planning and Management – 700 points
- Funding Package – 600 points
- Economic Development – 500 points
- Community Support – 400 points

- Preliminary Engineering Reports are now reviewed by program staff.
 - Applicants are still invited to comment on draft engineering review reports.
- See Appendix B of the legislative report (pages 367 through 391) for:
 - Information about the seven statutory priorities
 - Scoring level definitions for all priorities including specific examples used to score statutory priority #1, for water, wastewater, storm water, solid waste, and bridge projects.
- Scoring is done as a team utilizing the scoring definitions.

SCORING CRITERIA – Priority #1

Level 5 - The Applicant sufficiently demonstrated that consequences (such as illness, disease, or injury) clearly attributable to the deficiencies in the *(type)* system have occurred or are imminent, and are highly likely to reoccur. The applicant clearly documented the deficiencies and their impact on the public's health and safety.

Examples of bridge projects scored a level 5

- NBI Sufficiency Rating (S.R.): S.R. less than or equal to 50% and
- 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of "2" or less, or
- 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of "2" or less.
- If the bridge has failed or washed out, or if a bridge is proposed to replace a culvert, such that there are no applicable NBI ratings, then a Level 5 score could be given if there is currently a significant risk to public safety as a result of the bridge closure or the condition of the culvert.

Examples of water projects scored a level 5

- A community that has documented a total and permanent loss of water source (such as when the groundwater source dries up).
- A community that has documented contamination (or where contamination is imminent) of their water supply with fecal coliform bacteria, giardia, cryptosporidium, acute levels of nitrates, etc. with no current means of protection from the contaminants (such as filtration, disinfection). Even though no illnesses have been connected to the contaminated water system, continued use of the contaminated water is a threat to public health.
- A community that has documented that their groundwater source is under the influence of surface water and contamination of the groundwater supply is occurring or is considered imminent. The community has no current means of protection from the contaminants (such as filtration, disinfection). Continued use of the groundwater source is a threat to public health.
- A community whose water system cannot meet basic wintertime demands (October through March) including (domestic/industrial/commercial) demands, exclusive of irrigation. If a community cannot meet its basic wintertime demands, it is also assumed that fire protection capacity is grossly inadequate.
- A community whose water source has been found to be contaminated by chemical contaminants that exceed unreasonable risk to health (URTH) levels (as defined by Environmental Protection Agency [EPA]) and have a high potential to result in serious illness.

Scoring Statutory Priority Two Relative Financial Need

- See Part 5 (pages 16 through 21) of the legislative report.
- See complete financial analysis in Appendix F.
- Two indicators used in the financial assessment:
 - First Indicator - Economic Condition of Households:
 - Median Household Income (MHI)
 - Low to Moderate Income
 - Poverty level
 - Second Indicator - Financial Analysis

Financial Analysis for Bridge Projects

- Total number of bridges that are the responsibility of the Count
- Total amount of funds available to the County from a select number of sources
 - Local taxes, Payment in Lieu of Taxes (PILT), Forest Revenues, Mineral Royalties, Oil and Gas Revenues, Entitlement Share, and Fuel Tax.
- Dollars available per bridge

Financial Analysis for Water and Wastewater Projects

- Target rate analysis is used to determine financial need.
- The target rate is a percentage of the applicant's median household income:
 - 2.3% both water and wastewater
 - 1.4% water only
 - 0.9% wastewater only
- Target percentages based on survey of communities throughout Montana.
- Income surveys allowed.
- Must be at or above target rate to be recommended for a grant.

Target Rate Analysis

Town of Philipsburg

- MHI is \$26,250 (2000 census)
- Has both a water and wastewater system
- Target Rate = $(\$24,559 \times 2.3\%) / 12 \text{ months} = \underline{\$47.07}$
- Existing combined user rate = \$68.86 or 146% of target rate
- User rate with the requested TSEP grant = \$93.89 or 199% of target rate
- User rate without the TSEP grant = \$100.76 or 214% of target rate

Readiness to Proceed

- TSEP and RRGL grants typically are the first funding obtained, with loans last.
- In general, counties with bridge projects are the only applicants truly ready to proceed with the project, since the match is simply local dollars.
- Projects only needing a loan, without additional grants, are able to proceed fairly quickly (assuming that a bond election is not required).
- Projects that are planning on CDBG, STAG and WRDA grants have less viable funding packages.

- 19 projects need a CDBG grant
- 6 projects need a STAG and/or WRDA grant:
 - Bozeman (STAG - \$5M)
 - Carter (WRDA - \$850,000)
 - Crow (WRDA - \$300,000)
 - Seeley Lake (WRDA - \$4.25M)
 - Stevensville (STAG & WRDA - \$700,000 each)
 - Troy (STAG or WRDA - \$236,000)

65 Applications Ranked

- 65 applicants requested \$33,757,542 in TSEP grants.
- Total cost to complete all the recommended projects is over \$176 million.
 - Historically, TSEP has leveraged, on average, over \$3 for every TSEP dollar - see Appendix G.
- See Part 5 of the legislative report (pages 16 through 22) for the TSEP ranking and funding recommendations.
- See Part 5 of the legislative report (page 23) for a map showing the location of all projects.
- See Part 6 of the legislative report (pages 28 through 364) for the individual project reports.

Projects With Recommendations of No Funding or Modified Funding

- Granite County (project #28)
 - Not recommended for a grant even though above funding line
 - Did not have a serious health or safety problem
- Missoula County for Seeley Lake and Seeley Lake District (both applicants tied for #29)
 - Not recommended for a grant even though above funding line
 - Project does not appear to be financially feasible
- Shelby (project #47)
 - Recommended for a reduced grant of \$625,000
 - Not eligible for \$750,000

- Troy (project #49)
 - Recommended for a reduced grant of \$715,000
 - Portion of project was removed that was previously funded
- Fallon County / North Baker (project #51)
 - Recommended for a reduced grant of \$120,000
 - \$20,000 per six households
- South Chester District (project #55)
 - Not recommended for a grant
 - Project not technically feasible
- Greater Woods Bay District (project #62)
 - Recommended for a reduced grant of \$488,000
 - Not eligible for a hardship grant

- Em-Kayan District (project #63)
 - Not recommended for a grant
 - Did not meet minimum number of points
 - Concerns about technical feasibility
- Stevensville (project #64)
 - Not recommended for a grant
 - Did not meet minimum number of points
 - Does not qualify for more than \$500,000
 - Concerns about financial feasibility
- Bridger Pines District (project #65)
 - Not recommended for a grant
 - Did not meet minimum number of points
 - Concerns about who benefits from award

Funding Recommendations

- OBPP revenue projections - \$16,083,889 (See Part 4, page 13, of the legislative report for the calculation of projected funds available for construction grants.)
 - Projects #1 through #36 would be funded (projects #28 through #29 [two tied for #29] not recommended for a grant)
 - Projects #37 through #39 contingently funded if there are sufficient funds
- Legislature's revenue projections - \$15,004,889
 - Projects #1 through #34 would be funded

Status of Start-up Conditions of 2009 Biennium TSEP Projects (as of 1/12/2009)

Grantee	TSEP Grant Award Amount	Amount of TSEP Funds Committed	Amount of TSEP Funds That Are Not Presently Committed*	Contract Initiated	Contract Signed	Approved Management Plan	Approved Accounting System and Reporting in Compliance	Other Funds Firmly Committed	Notice to Proceed Has Been Issued
Bainville, Town of	\$715,000	\$715,000		✓	✓	✓	✓	✓	✓
Big Sandy, Town of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Bigfork Co. Water & Sewer District	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Black Eagle Water & Sewer District	\$365,000	\$365,000		✓	✓	✓	✓	✓	✓
Blaine County	\$617,017	\$617,017		✓	✓	✓	✓	✓	✓
Butte-Silver Bow	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Circle, Town of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Custer County	\$63,750	\$63,750		✓	✓	✓	✓	✓	✓
Cut Bank, City of	\$550,000	\$550,000		✓	✓	✓	✓	✓	✓
Ekalaka, Town of	\$706,369	\$706,369		✓	✓	✓	✓	✓	✓
Elk Meadows Ranchettes County Water District	\$410,000	\$410,000		✓	✓	✓	✓	✓	✓
Fergus County	\$238,362	\$238,362		✓	✓	✓	✓	✓	✓
Fort Benton, City of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Goodan-Keil County Water District	\$532,250	\$532,250		✓	✓	✓	✓	✓	✓
Hamilton, City of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Harlem, City of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Jefferson County	\$295,800	\$295,800		✓	✓	✓	✓	✓	✓
Jordan, Town of	\$700,000	\$700,000		✓	✓	✓	✓	✓	✓
Judith Basin County	\$192,215	\$192,215		✓	✓	✓	✓	✓	✓
Lewis & Clark County	\$596,420	\$596,420		✓	✓	✓	✓	✓	✓
Madison County	\$370,100	\$370,100		✓	✓	✓	✓	✓	✓
North Valley County Water & Sewer District	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Panoramic Mtn. River Heights Co. Water District	\$191,500	\$191,500		✓	✓	✓	✓	✓	✓
Pinedale, Town of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Polson, City of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Powell County	\$263,074	\$263,074		✓	✓	✓	✓	✓	✓
Power-Teton County Water & Sewer District	\$604,286	\$604,286		✓	✓	✓	✓	✓	✓
Red Lodge, City of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Seeley Lake - Missoula County Water District	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Shelby, City of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Stillwater County	\$407,500	\$407,500		✓	✓	✓	✓	✓	✓
Sunny Meadows Missoula Co. W&S District	\$325,000	\$325,000		✓	✓	✓	✓	✓	✓
Superior, Town of	\$600,000	\$600,000		✓	✓	✓	✓	✓	✓
Sweet Grass County	\$151,493	\$151,493		✓	✓	✓	✓	✓	✓
Thompson Falls, City of	\$363,000	\$363,000		✓	✓	✓	✓	✓	✓

Status of Start-up Conditions of 2009 Biennium TSEP Projects (as of 1/12/2009)

Grantee	TSEP Grant Award Amount	Amount of TSEP Funds Committed	Amount of TSEP Funds That Are Not Presently Committed*	Contract Initiated	Contract Signed	Approved Management Plan	Approved Accounting System and Reporting in Compliance	Other Funds Firmly Committed	Notice to Proceed Has Been Issued
Tri County Water & Sewer District	\$313,500	\$313,500		✓	✓	✓	✓	✓	✓
Whitefish, City of	\$750,000	\$750,000		✓	✓	✓	✓	✓	✓
Yellowstone County	\$97,079	\$97,079		✓	✓	✓	✓	✓	✓
Brady County Water & Sewer District	\$750,000		\$750,000	✓	✓				
Carter-Chouteau County Water & Sewer District	\$750,000		\$750,000						
Columbia Falls, City of	\$750,000		\$750,000	✓	✓		✓		
Crow Tribe (for Crow Agency)	\$750,000		\$750,000	✓	✓		✓		
Darby, Town of	\$750,000		\$750,000	✓	✓				
Dayton-Lake County Water & Sewer District	\$750,000		\$750,000						
Fairfield, Town of	\$750,000		\$750,000	✓	✓		✓		
Gallatin County (for Hebgen Lake Estates)	\$750,000		\$750,000						
Laurel, City of	\$750,000		\$750,000	✓	✓	✓	✓		
Loma County Water & Sewer District	\$750,000		\$750,000	✓	NYS				
Manhattan, Town of	\$600,000		\$600,000	✓	✓	✓	✓		
Mineral County Saltese Water & Sewer District	\$390,000		\$390,000						
Neihart, Town of	\$223,000		\$223,000				✓		
Rae Water & Sewer District	\$750,000		\$750,000	✓	✓				
Sheridan, Town of	\$750,000		\$750,000	✓	✓		✓		
Twin Bridges, Town of	\$750,000		\$750,000	✓	✓		✓		
Whitehall, Town of	\$750,000		\$750,000	✓	✓		✓		
Three Forks, City of	\$750,000		\$750,000	✓	✓		✓		
(grant was terminated at request of Three Forks)									
Totals		\$31,881,715	\$20,168,715	\$11,713,000					

*The funds listed in the column may never be committed because start up condition may never be met as required by HB 512, Laws 2007.

Summary: 51 contracts have been initiated for the 56 grantees (information is still needed from grantees for those contracts that have not been initiated); 50 of those contracts have been signed, one contract has been sent to the grantee to be signed but it has not yet been returned (Not Yet Signed - NYS). Thirty-eight projects have received a notice to proceed and have had TSEP funds committed to them.

HB 11

- See Appendix H for copy of HB 11
- See Part 3 of the legislative report (pages 10 and 11) for more detailed information about the provisions of HB 11
- Appropriates funds for TSEP construction projects
- Appropriates \$900,000 for preliminary engineering grants
- Appropriates \$100,000 for emergency grants
- Appropriates funds from the treasure state endowment regional water system fund to provide the state's share for regional water system projects

Additional FTE Requested

- Second TSEP engineer is required to complete the evaluation of the preliminary engineering
- No increase in budget required – simply moving operating funds to personnel funds
- No longer utilize consultants, which eliminates any potential for a conflict of interest
- Can utilize the services of the engineer year-round